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Venezuela

An Export Market Profile

Paul J. Trapido

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Abstract

The United States is expected to remain Venezuela's largest supplier of farm products through 1990. With the loss in oil revenues, beginning in 1979, the value of U.S. agricultural exports to Venezuela dropped from \$898 million in 1981 to \$670 million in 1982 and could be as low as \$550 million in 1983; that value should rebound to over \$1 billion by 1990. Major factors contributing to the long-term market growth include increasing population, sustained oil exports, modestly rising incomes, and the failure of Venezuela's agriculture to keep up with demand. Principal U.S. agricultural exports to Venezuela are feed grains, wheat, oilseeds and their products, and a large variety of specialty items.

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Preface

Expanding the markets for U.S. agricultural exports is a major goal of the U.S. Department of Agriculture. In support of this goal, the Economic Research Service (ERS), in cooperation with the Foreign Agricultural Service (FAS), is preparing export profiles for a number of high-potential markets for U.S. agricultural products. ERS is USDA's major source of agricultural and trade information on foreign countries and regions, while FAS has the key role in helping U.S. agriculture increase exports in world markets. Profiles are being prepared for selected markets in Africa, the Middle East, Asia, and Latin America.

This report presents information and analysis on the prospects for U.S. agricultural exports to Venezuela. The study surveys the basic factors underlying agricultural supply and demand in Venezuela and presents longrun projections of food and agricultural trade. The report is aimed at officials responsible for export market development programs, the agribusiness community, and the general public.

Conversion Chart

This report uses metric units throughout. Metric tons are referred to as "tons."

U.S. \$1 = 4.30 bolivars (pre-1982)

1 metric ton = 2,204 pounds

1 hectare = 2.5 acres

1 kilogram = 2.2 pounds

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Summary

The United States is expected to remain Venezuela's largest supplier of farm products through 1990. With the loss in oil revenues, beginning in 1979, the value of U.S. agricultural exports to Venezuela dropped from \$898 million in 1981 to \$740 million in 1982 and could be as low as \$550 million in 1983. However, the prospects are for that value to rebound to over \$1 billion by 1990. Major factors contributing to the long-term market growth include a modestly increasing population, sustained oil revenues, some rise in incomes after 1985, and the continued failure of Venezuela's agriculture to keep up with the demand of its growing population. Principal U.S. agricultural exports to this market are feed grains, wheat, oilseeds and their products, and a large variety of specialty items.

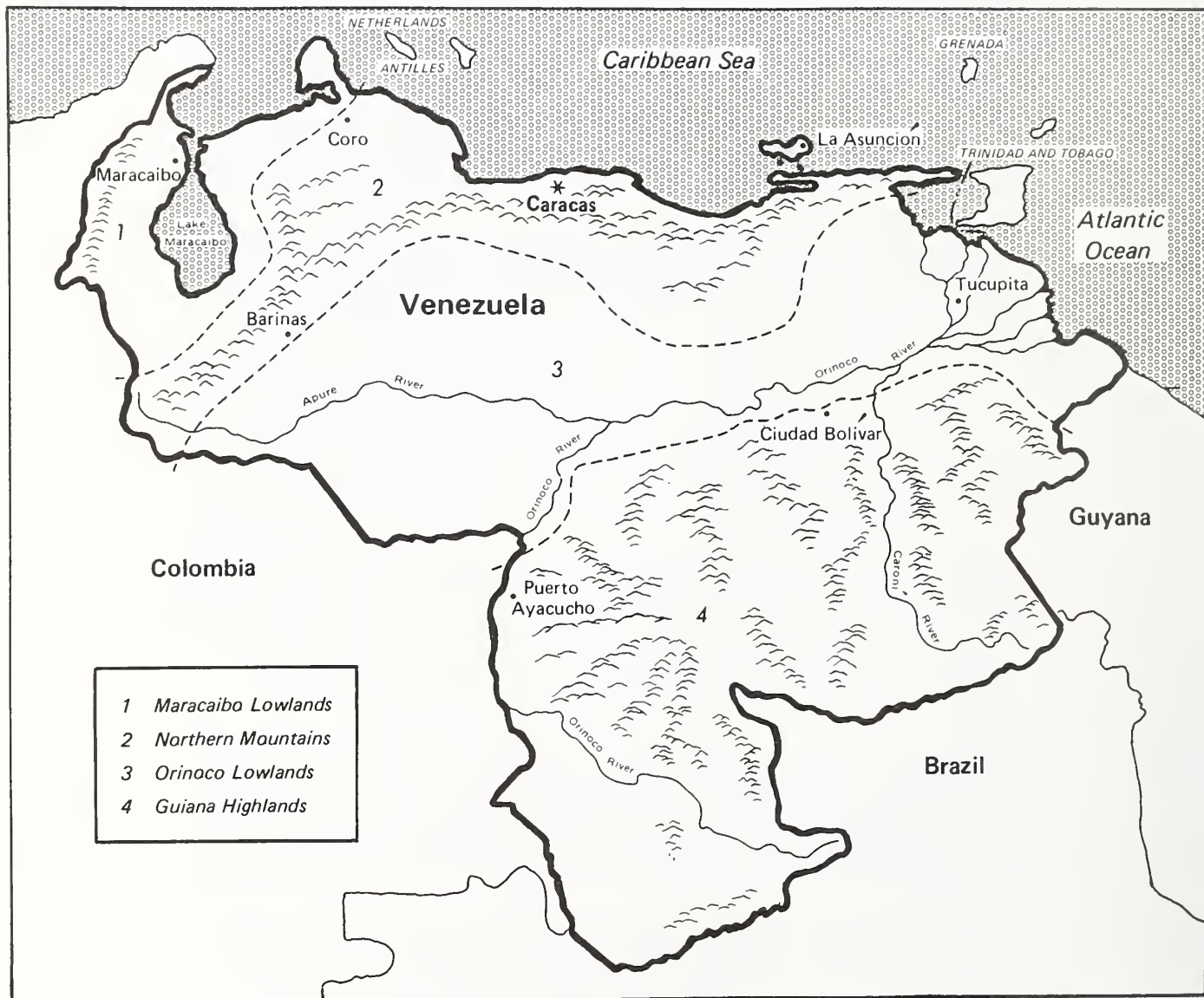
The poor economic performance forecast through 1985 bears little resemblance to the economic prosperity Venezuela enjoyed in the seventies with soaring oil revenues. The non-oil sector began declining in 1979 when the oil market declined, and the resulting lack of economic growth has limited growth in the demand for agricultural products. In 1983, further weakened oil prices put added pressure on the nation's financial resources. An expected population growth, from 16 million in 1983 to 21 million in 1990, should raise consumer demand for the rest of this decade. And, a population now 85 percent urban should sustain demand for many imported products. Despite the Government's current financial problems, Venezuela's import capacity in the eighties will be considerably more favorable than that of most Latin American nations.

Venezuela's rich mineral resources and considerable industrial strength are expected to provide a basis for a resumption of strong economic growth after 1985. Because of climatic and natural resource limitations and increasingly sophisticated food preferences, agricultural imports are likely to increase during the second half of the decade with especially strong growth in animal and poultry feeds and in high-value products not produced domestically.

U.S. agriculture will be an important beneficiary of this expanding market because of Venezuela's geographical proximity to the United States and its excellent shipping channels. However, a concerted market development effort may be needed to maintain the U.S. edge against the encroachment of competing suppliers and especially to increase the U.S. share of the market. Such market development activities might include:

- Providing short-term credit, especially during the current financial crisis to maintain external purchasing power for agricultural imports.
- Supporting the efforts of the agricultural trade office to develop Venezuela's confidence in U.S. products and trust in U.S. suppliers.
- Continuing technical assistance to adapt U.S. raw materials to Venezuela's domestic conditions.

Venezuela



Venezuela: An Export Market Profile

Paul J. Trapido

Introduction

Venezuela's economy is the fourth largest in Latin America and produces the highest per capita income of any major country in the region. Venezuela's economic wealth is based on its oil, which generates 90 percent of its gross national product (GNP). The country is also rich in aluminum, iron, and other resources.

The economy grew rapidly, beginning with the oil embargo in 1974, through 1979. Government spending and foreign investment were the primary factors behind an annual GNP growth in excess of 7 percent during the latter half of the seventies. However, oil revenues, private sector investments, and foreign exchange earnings have since fallen off; in 1983, the bolivar (Bs) had to be devalued for the first time in many years.

Venezuela's slow economic growth probably will continue for the remainder of the eighties. Through 1985, real growth is expected to be minimal and may even decline; in the long term, prospects are better.

The nation's growing wealth has enabled its people to have a diet considerably more sophisticated than that of most other countries in the region. Rapid increases in wages and salaries, as well as the fixed exchange rate, were the major factors in stimulating agricultural imports during the seventies. In addition, the Government has subsidized basic food staples so the lower income classes could benefit from the growth in oil revenues. These subsidies have increased consumption of many agricultural products including wheat, corn, poultry, beef, milk, and processed foods.

Rapid population growth is another important element responsible for the growth in demand for agricultural products. In the seventies, Venezuela's population

growth was among the highest in Latin America. In addition, the economic prosperity of the seventies attracted large numbers of unskilled laborers from neighboring countries and the Caribbean Islands, further increasing the population and the food demand.

Most of the population growth occurred in the cities, not only because of the influx of foreign workers but also as a result of migration from rural areas. This population shift also caused a shift in consumption—away from indigenous foods, which are largely home prepared, to foods that are partly or wholly derived from imported sources and that often require less cooking preparation. In addition, an increasing number of foreign professionals are also demanding a greater variety of products, many of which have to be imported.

In sum, the outlook for demand in the eighties is very different from the seventies. The principal economic force (oil exports) is expected to exert a more modest influence. And, as population continues to grow more slowly than in the past, demand will also continue to grow but not as fast as in the seventies.

The output of domestic agriculture, which for many years was insufficient to meet the requirements of the nation, has been worsening. The petroleum boom contributed to this weakness by drawing both labor and capital away from the rural areas to the oilfields, to construction, and to industry. The situation was made worse by the Government's policy of maintaining a fixed exchange rate relative to the dollar. As the bolivar became increasingly overvalued, domestic production gradually became less and less competitive against imports, and the parts of agriculture that did thrive became increasingly dependent on imported seeds, fertilizers, and other inputs.

Farm output has been unable to keep pace with the tremendous expansion in demand for food and raw materials, despite substantial Government expenditures. Venezuela's soils and climate are especially unfavorable for growing the products that have increased most in demand, mainly wheat and feed grains. Over the years, the various Governments have, with some successes, made a concerted effort to increase agricultural output. Through the use of subsidies and other incentives, production of rice, sorghum, and poultry increased markedly. However, many rural areas still lack adequate farm-to-market roads, drainage and water control, grain storage, refrigeration, and other facilities to make farming attractive. Cattle rustling is a serious problem in some areas.

The currency devaluation in 1983 should serve to stimulate agricultural production and encourage some import substitution, but the response may be slow. Existing farms may be able to increase production, but new areas probably will not be cleared or new farms started for the next few years because of the gradually diminishing rural population.

The United States supplies most of Venezuela's agricultural imports. Bulk commodities such as wheat, yellow corn, sorghum, soybeans, and vegetable oils are imported almost exclusively from the United States.

The U.S. share of agricultural imports has fluctuated between 60 and 70 percent over the past decade. The total value of U.S. agricultural exports to Venezuela in 1982 was \$740 million, a sharp decline from the record high of \$898 million in 1981, primarily due to a strong recovery from the poor domestic harvests in 1980 and 1981 and low commodity prices. The 30 percent or so of agricultural imports from non-U.S. sources consists principally of high-value products either not produced by the United States (Scotch whiskey), produced by the United States without an exportable surplus (white corn), or not priced competitively (milk).

High U.S. prices have made improvement and maintenance of the U.S. market share difficult. The continued strength of the U.S. dollar and the steady devaluation of the currencies of leading U.S. competitors (like Brazil, Argentina, and the European Community) will increasingly jeopardize the competitiveness of U.S. products.

General Economy

Venezuela is one of a select group of countries, including Mexico, Nigeria, Iran, Indonesia, and Saudi Arabia, known as "oil-exporting developing nations." The effects of oil revenues on a developing economy are often perverse, and the Venezuelan economy has more in common with these developing countries than it does with many of its regional neighbors. Since the discovery of oil in 1917, the Government has played an increasingly prominent role in the economy with the revenues that accrued to it. With the rise in oil prices after the 1973 OPEC embargo, this role increased.

The 1973-74 oil boom and the tremendous growth in state revenues spurred a rush to modernize the country's economic and social infrastructure and to develop its natural resources (steel, aluminum, and bauxite) (table 1). The development of natural resources was the principal objective of the Fifth National Development Plan (1974-79). Employment in the non-oil sector grew at a rate of 7 percent per year during the mid-seventies. High wages and a serious labor shortage prompted a considerable influx of illegal workers from Colombia and the Caribbean Islands.

The implementation of the Fifth National Development Plan also attracted foreign capital, much of it in the form of loans. By the end of 1979, the international debt had grown to a point where servicing it absorbed almost 20 percent of the national budget. Cost overruns, delays in completion, and other problems troubled many projects.

In 1979, new economic policies were undertaken. The Government restricted foreign borrowing, relaxed controls on consumer prices, and reduced tariffs on imports. For agriculture, these measures were intended to provide greater incentives to producers and force them to become more competitive with imports. In 1980 and 1981, inflation and unemployment rose dramatically with little real economic growth. The non-oil sector continued to suffer from depressed levels of private investment, the state-operated steel and aluminum industries suffered mounting losses, and consumer demand waned.

In 1981, oil revenues exceeded \$19 billion, despite reduced production and lower prices. But the situation worsened in 1982 when world demand dropped further, and oil revenues were reduced to \$15 billion. The

Table 1—Economic indicators, 1970-83

Year	Popula- tion	GNP	GNP per capita	Exports f.o.b.	Imports f.o.b.	Foreign reserves ¹
	<i>Millions</i>	<i>Million 1968 bolivars</i>		<i>Million dollars</i>		
1970	11.4	50,917	4,466	2,640	1,713	1,023
1975	13.9	64,590	4,647	8,982	5,462	9,243
1980	16.0	76,612	4,788	19,275	10,877	18,890
1981	16.4	77,369	4,718	20,181	12,123	19,069
1982	16.9	77,675	4,596	15,952	18,384	14,754
1983	17.4	77,900	4,477	12,000	9,000	7,000

f.o.b. = free on board.

¹Includes holdings of Central Bank, commercial banks, and Venezuelan Investment Fund.

Sources: (1, 8). Italicized numbers in parentheses refer to literature cited in the References at the end of this report.

reduction in oil revenues (which constituted 75 percent of all Government revenues) forced the Government to cut its 1982 budget.

The budget cut depressed the economy even further, and private investment showed little sign of improvement despite attempts to stimulate private business through measures, such as a "Buy Venezuela" decree and adjustments in interest rates to international levels. Exchange controls were instituted in mid-1983 leading to a devaluation of the bolivar for the first time in many years. These measures were necessary to reduce the national external debt, estimated at over \$25 million in 1983.

The economy is expected to recover slowly in 1984-85. The poor performance of 1980-82 already has clouded prospects for the first half of the decade. The outlook for the remainder of this period will depend on the world oil market and on the country's economic policies. A higher level of growth is anticipated during 1985-90 primarily because of the availability of large new oil deposits and prospects for steadier growth in the non-oil sector of the economy.

The agricultural sector, containing only about 20 percent of the population, contributed only 7 percent to GNP in 1982. Agriculture has both modern and traditional aspects. Modern commercial cultivation of rice,

cotton, corn, and more recently peanuts, sorghum, and soybeans takes place in the Eastern Plains regions. Traditional plantation-style farming of sugar, cotton, cocoa, and fruit crops is prevalent in the central part of the country, and small-scale family operations typify the mountainous parts where the principal crops are food crops, vegetables, and coffee.

Despite a growth of crop and livestock production at 4 percent per year from 1970-81, domestic output has been insufficient in quantity and quality to meet the rising demand of an increasingly affluent society. The demand for agricultural products for direct human consumption and for processing has grown tremendously since the 1973 oil price hike, which caused an enormous jump in per capita incomes. This increase in incomes, coupled with a high rate of population growth and extensive rural-urban migration, has caused increasing dependence on imports of agricultural products. Commodities once produced in surplus for exports are now consumed entirely in the country and in many cases are insufficient to meet all needs.

The Government has placed a high priority on agricultural development to displace food imports. During the seventies, large amounts of credit were channeled to the farm sector through a national agricultural credit bank (BANDAGRO). Large investments were also made in irrigation, roads, and rural electrification. A state

agricultural marketing agency was set up in 1970 to provide farmers guaranteed minimum prices for a number of basic crops. The role of this agency was later expanded to include import control of commodities, storage operations, and food retailing in urban areas.

By the end of the seventies, many of the earlier policies came under attack as ineffective and insufficient to meet the growing demand for agricultural products. In 1979, the support of agricultural prices was reduced, control of retail food prices was eased, and many of the commercial functions that had been adopted by the Government during the seventies were returned to the private sector. Specific steps included:

- Gradual elimination of agricultural subsidies, which were estimated to have been \$750 million in 1981.
- Increases in retail prices of basic food items for the first time in several years.
- Modernization of the agricultural marketing system.
- Expansion of grain storage capacity to reduce post-harvest losses.

The objective of the national policy for agriculture and trade was to achieve self-sufficiency in the products that could be produced efficiently at home. Agriculture has consequently been protected to a large degree through high tariffs, limited licenses for imports, and subsidies for domestic agriculture. The production responses were mixed. The most notable successes were in rice, sorghum, peanuts, and poultry.

The need to import some agricultural goods, including wheat, dairy products, and feedstuffs, has been recognized. For those products, duties, quotas, and quality restrictions have often been relaxed.

The customs tariff code specifies tariffs and indicates whether importation is permitted, prohibited, or restricted to a Government agency. The code also indicates when a sanitary certificate from the country of origin is required. The Venezuelan tariff code was revised in 1982 to conform with that of the Andean Pact.

The agency responsible for national food imports is the Corporacion de Mercadeo Agropecuario (CMA). The CMA regulates imports of feed grains, edible oils, poultry, soybeans and meal, pulses, milk, and sugar, as well as other basic items in the diet. In many cases, CMA imports these products directly.

The Government has eased its involvement in agricultural commodity trading in recent years. Since 1979, much of the trading in agricultural products has been returned to the users of the imported good. This movement toward trade "privatization" has been sporadic at best because of the overlay of subsidies and price controls in force since 1974. Substantial regulation of imports is likely to continue.

Farm Product Demand

Principal factors affecting the demand for food in the long run are population, income growth, and Government policies. Relative prices may have some influence on particular commodities, but in general, they will have only a minor impact in a country that is as affluent as Venezuela.

Population growth in the seventies was very high (about 3.4 percent per year) because of high fertility rates and extensive immigration of laborers from Colombia and the Caribbean Islands. The total population is a subject of considerable dispute. It was estimated to be 15.5 million in 1981 by the official census count. However, this figure is thought to be too low since many of the illegal immigrants might have been excluded. To make some allowance for that factor, a population of 16 million is assumed for the 1979-81 base period for this study.

The population is expected to grow more slowly in the eighties than in the past. Fertility rates have been declining, and immigration from neighboring countries has slowed, concurrent with the slowdown of economic growth and reduced employment opportunities. The population rate is, therefore, expected to slow to 2.7 percent by the second half of the decade for a population of just under 21 million by 1990.

Few countries experienced the tremendous growth in personal disposable income of Venezuela during the middle and late seventies. Real incomes increased steadily as wages and salaries rose and controls kept

prices down, especially on many food items. In addition, the value of the bolivar was fixed at 4.30 bolivars to the dollar. This value maintained the nation's import capacity with respect to U.S. products as the rate of inflation in both countries was roughly similar.

The general economic outlook for the eighties is less favorable. The economy's poor performance in 1980-82 shows little prospects of improving in the near term. Despite attempts during the seventies to diversify the economic base, the country will continue to depend on oil or export revenues and on funds to be invested in economic development. Unless world oil prices rise more sharply than in recent years, the outlook for the recurrence of an economic expansion like that of the seventies is not likely. In sum, real per capita disposable income is expected to grow during the eighties, but the crucial factor determining growth will be the world oil market. For the purpose of this analysis, oil prices are assumed to grow at a rate of 5-8 percent per year through 1990.

Policy Trends

During the seventies, the Government implemented a series of policies that profoundly affected food production and consumption. As mentioned earlier, consumer price controls were imposed from 1974-79 to curb the inflationary impact of high wages and full employment. In addition, a system of reference prices guaranteed producers of farm products low costs for credit, seeds, fertilizer, and other farm inputs as an incentive to increase production even though farm product prices were held down. Compensating producers for the difference between the actual price paid for inputs and the reference price imposed a considerable strain on the agricultural budget.

While food prices remained stable, consumer purchasing power continued to increase with improvements in wages. The latter also placed a burden on the national budget since the Government was the nation's biggest employer. The private sector also suffered the cost of rising wages and found competing with foreign producers increasingly difficult.

Controlled food prices in the face of sharply rising real personal disposable income affected the food demand dramatically and much of the increased income was

spent on high-value products that had a very elastic demand with respect to income (table 2). For short periods, food shortages were common, particularly for staples such as corn, beans, and sugar. Despite the huge investments and incentives, domestic agricultural production was not able to keep pace with the rapidly rising demand, resulting in sharply rising agricultural imports. The growth in imports was also stimulated by changing consumption habits (table 3). The rapidly growing affluence of consumers, the gradual urbanization of the population, and the growing number of working couples helped alter patterns even more. The primary manifestation of these changes was a large increase in the consumption of animal proteins (especially meat and dairy products) and fewer carbohydrates. However, consumers also developed preferences for convenience and processed foods, rather than traditional items like corn and beans that require considerably more home preparation.

The implications for the future are clear: With falling oil reserves and an inefficient, high-cost domestic industrial base, the Government probably will not make the wage and price concessions that it has in the past. Declining revenues in 1981-82 forced budget reductions and resulted in reduced subsidies on many products both for producers and consumers. Decreases in real disposable income and higher real costs for food items in 1980-85 probably will result in slower growth in demand for food products, including imports. The elimination of subsidies is also likely to influence demand for some commodities as relative prices change. Consumption of poultry, pork, and dairy products prob-

Table 2—Growth rates of demand for agricultural products, 1975-79

Commodity	Growth rate per year
	<i>Percent</i>
Sugar	8.0
Grains	7.6
Edible oils	7.2
Poultry meat	6.8
Dairy products	5.3
Pulses	3.3
Red meat	1.8
All food	6.9

Sources: (7, 14).

ably will grow more slowly as their relative prices rise, while consumption of basics such as wheat, corn, rice, and beans will continue to increase more consistently with past rates.

Consumption Trends

The consumption of *food grains* increased in the seventies. Rice was the leading product as prices declined sharply throughout the period in response to sharp in-

creases in domestic production. Per capita rice consumption doubled over this period and substituted largely for roots and tubers. Per capita wheat and corn consumption was essentially unchanged, although corn consumption varied from year to year as prices fluctuated in response to domestic crop conditions. However, the relative prices of rice, wheat, and corn are expected to change less in the eighties than they did in the seventies.

The projected slower growth in incomes and the elimination of Government subsidies on animal feeds is ex-

Table 3—Per capita food consumption

Commodity	1969-71 average	1979-81 average	1990 forecast	Income elasticity ¹
<i>Kilograms per capita</i>				
Grains	122	127	138	—
Wheat	57	49	52	0.61
Rice (milled)	10	20	31	.48
Corn	55	58	55	-.13
Roots and tubers	74	74	66	-.76
Cassava	24	24	22	-1.53
Potatoes	11	13	14	-.04
Plantains	29	31	26	-.48
Other	10	6	5	-1.27
Edible oils	10	16	20	1.19
Pulses	5	5	4	—
Sugar	32	42	46	.76
Fruits (domestic)	130	115	93	-.77
Bananas	83	61	47	-1.82
Oranges	15	25	18	.04
Apples	2	2	2	—
Other	30	27	26	.34
Vegetables	15	23	19	.75
Tomatoes	7	10	8	.83
Onions and garlic	3	4	3	-.11
Others	5	9	8	.97
Livestock and products	—	—	—	.65
Beef and veal	18	22	23	.52
Pork	4	5	5	.35
Poultry	7	15	18	1.41
Eggs (units)	110	160	177	.06
Fluid milk	61	139	143	.85

— = Not available.

¹Estimated from cross-sectional data for a monthly disposable income of Bs 5,000. See app. table 1 for additional elasticities.

pected to increase animal feed prices sharply. The most likely effect will be to slow the growth of poultry and pork consumption and less so that of beef.

Demand for *roots and tubers* has declined as Venezuelan society has become more affluent. Demand is expected to continue to decline in the eighties.

Vegetable oil demand has been highly responsive to growth in income. Per capita consumption, already the highest in Latin America, is expected to continue to increase in the eighties as the food-processing and fast food industries continue to thrive.

Pulses, principally black and red beans, are popular items in the traditional diet, especially in rural areas. With increasing urbanization, consumption of pulses has shown little or no trend and the response to income growth has been very low. For some varieties, the response has been negative. Various estimates suggest that the income elasticity¹ of demand for pulses can range from -0.20 to 0.20 depending on the variety.

Sugar consumption rose rapidly in the seventies because of the expansion of the food-processing industry and the increased popularity and low prices of soft drinks. Consumption is expected to continue to climb in the eighties.

Per capita consumption of *domestic fruit* declined in the seventies despite a great diversity and general availability. This decline was consistent with the negative income elasticity of demand registered for many fruits, especially bananas, which constitute over 50 percent of fruit consumption. The per capita consumption of oranges and other fruits held steady as did the consumption of imported fruits such as apples, grapes, and peaches.

Since only a small part of the population purchases imported fruits and high tariffs are expected to continue, total consumption will not rise domestically in the eighties, but some growth is expected.

The per capita consumption of processed tomatoes, carrots, and onions grew rapidly. Consumption of

fresh vegetables remained about constant. Thus, while the demand for *vegetables* appears to be low, the demand for processing services has been quite high, typical for more affluent societies. This trend is likely to continue even if income growth slows.

Eggs have shown a strong upward trend in per capita consumption suggesting a fairly high income elasticity. Some slowdown is expected because of rising prices.

Fluid milk consumption, including reconstituted whole milk, more than doubled in the seventies. Subsidies to both producers and consumers, as well as large-scale Government imports, favored this increase. As with eggs, per capita consumption will continue to grow but at a reduced level since these subsidies are likely to be reduced in the next few years.

Imports and Import Constraints

Venezuela imported over \$1.5 billion worth of agricultural products in 1981 to feed and clothe its population. In 1979, the most recent year for which official data are available, agricultural imports were \$1.2 billion, 12.6 percent of all imports. By comparison, agricultural imports were only \$296 million in 1971 but 13.5 percent of all imports. Venezuela has one of the highest per capita agricultural import rates in the world. The rapidly growing rate was \$115 in 1979 compared with only \$28 in 1971. However, the economic slowdown in 1982-83 has reduced the nation's import capacity in the short term.

Food imports are estimated to have reached \$2 billion in 1981, nearly 10 times the 1970 value. The outlook for the eighties is for slower growth in imports, although by 1990, food and agricultural imports could well amount to \$3 billion.

Trends and Policies

Agricultural imports have become an increasingly important part of the domestic food supply over the past decade. During 1980-83, over 50 percent of all agricultural products consumed were estimated to have been imported. The import dependence was even higher in products like edible oils (80 percent), sugar (55 percent), and pulses (52 percent). The principal agricultural imports are grains (wheat, corn, and

¹Income elasticity is a measure of the adjustment consumers make in the amount of goods they purchase as their incomes change.

sorghum); oilseeds (cottonseed oil, soybean oil, peanut oil, soybean meal, and soybeans); meats (beef, pork, and poultry meat); dairy products (butter, cheese, dry milk, and eggs); sugar; whiskey; pulses; and tallow.

The United States in recent years has supplied about 67 percent of the total value of Venezuela's agricultural imports (table 4). The U.S. share was near that level in the early seventies, but then fell to a low of 25 percent in 1977. This drop in proportion, however, resulted more from a surge in imports for which the United States was not a traditional supplier than from a reduction in trade with the United States. Venezuela's other major trading partners are Colombia (for beef, pulses, sugar, and coffee), Argentina (for edible oils, high-protein meal, sorghum, and corn), the Dominican Republic (for sugar and pulses), the European Community (for dairy products and pork), Brazil (for sugar and soybeans), and South Africa (for white corn).

The most important U.S. exports to Venezuela during the past decade were wheat, grain sorghum, soybean meal, cottonseed oil, poultry meat, soybeans, yellow corn, tallow, dried beans, and dried fruit. Each year, another 25-30 percent of the total value of U.S. agricultural exports is made up of a large variety of minor exports that appear to be growing in impor-

tance. Despite increased domestic production of feed grains, oilseeds, and meats, the importance of the United States as a supplier of these products has not diminished.

At present, imports from the United States are down slightly after a long period of steady growth, beginning with the 1973 oil embargo. The 5-year (1975-79) average value of U.S. products was \$346.8 million, twice that of the 1970-74 value—\$165.8 million. This value peaked at \$898 million in 1981, nearly 10 times the level of 1970. Recent data indicate that 1982 imports from the United States fell for the first time in 6 years.

As the demand for oil declined in the eighties, Venezuela initiated talks to develop a number of bilateral trade agreements with other countries in the region to trade oil for agricultural products. The major agreements are:

Dominican Republic—In March 1980, Venezuela agreed to purchase 20,000 tons of Dominican black beans per year for the following 3 years in exchange for oil. At the same time, it was agreed that further talks would be held to determine the nature and extent of future oil-for-food trade.

Brazil—In the fall of 1980, the countries discussed an arrangement whereby Venezuela would raise its crude oil sales to Brazil in return for sugar and soybeans at world prices. The quantities discussed included 200,000 tons of Brazilian sugar and 300,000 tons of soybeans in exchange for exports of an additional 30,000 barrels a day of oil. At the time, Brazil did not have adequate supplies of soybeans available for export so the agreement was not signed.

Argentina—A Venezuelan trade mission visited Argentina in the early summer of 1982 to show support for Argentina during the Falkland crisis. Reports indicated that the countries agreed to an exchange of Venezuelan oil exploration technology for Argentine feed grains. In the following months, roughly 150,000 tons of feed grains were shipped to Venezuela. However, any long-term commitments for trade with Argentina, if any, have not been revealed.

Table 4—Agricultural imports and U.S share

Year	Value of agricultural imports from all sources ¹	Imports from the United States	
		Value	Share of total
	—1,000 dollars—		Percent
1970	171	98	57
1971	175	108	62
1972	198	137	69
1973	298	160	55
1974	415	323	77
1975	586	277	47
1976	733	273	37
1977	1,197	304	25
1978	1,206	387	32
1979	1,125	494	43
1980	1,210	700	58
1981	1,319	893	68
1982	1,100	740	67

¹Value of raw food fiber products only, does not include processed goods.

Source: (13).

Food Grain Prospects

The principal food grains consumed in Venezuela are white corn, wheat, rice, and to a limited degree, yel-

Table 5—Food grain consumption

Commodity	1969-71 average	1979-81 average	1985 forecast	1990 forecast
<i>Kilograms per capita</i>				
Rice (milled)	10	23	27	31
Wheat	57	49	49	52
White corn	55	53	50	47
Total	122	125	126	130

low corn (table 5). In the seventies, imports of rice were banned, but domestic rice production increased to allow per capita consumption to double. This increase came about as rice prices declined in real terms by nearly 50 percent, while wheat and corn prices varied little. In the eighties, no further reductions in the price of rice against wheat and corn are expected.

White corn. Venezuela produces about 85 percent white corn to 15 percent yellow corn. The white is used almost exclusively for food. Production has been virtually stagnant for many years, in part due to a lack of improved seed which the Government does not permit to be imported. Production practices are largely traditional, with 50 percent of the harvest cultivated on small holdings (5 hectares or less). Poor drainage is also a major problem in the important grain belt areas of the western llanos. Output is expected to rise by no more than 2 percent per year through the eighties, and then only if new varieties become available.

The total demand for white corn is projected to increase by only 2.2 percent per year, mainly in response to population growth and despite a decline in annual per capita consumption, which is now about 53 kilos (table 6). The Government has tried to shift consumption from white corn to yellow corn through import policies favoring yellow corn over white. However, consumers seem to have been reluctant to accept yellow corn even though it costs less.

Current imports of white corn range from 300,000-400,000 tons per year, mostly from South Africa. U.S. white corn exports were insignificant until 1980, when 100,000 tons were shipped because of the poor Venezuelan harvest and low available supplies from South

Table 6—White corn supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	500	501	650	750
Consumption	850	850	925	1,000
Imports	350	350	275	250
<i>Kilograms</i>				
Per capita consumption	53	53	50	48

Africa. Venezuelan corn millers are exploring the possibility of contracting directly with Kentucky growers and others in the Southeastern United States where white corn is grown. However, the millers are reluctant since U.S. white corn is considered to be inferior to South African.

Wheat. Wheat production is negligible and likely to remain so since only small areas at high altitudes are suitable to its production. Imports averaged 778,000 tons in 1979-81 and are projected to increase by about 5 percent per year through the eighties (table 7). Local mills have the capacity to use the projected imports of wheat so that flour imports likely will be minimal. The consumption of wheat is projected to rise slowly because of already high per capita use. Furthermore, the Government is encouraging millers and bakers to mix wheat flour with a small proportion of rice and cassava flour. However, these alternative products have not been priced competitively with wheat imports.

Table 7—Wheat supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	1	1	1	1
Consumption	778	736	903	1,095
Imports	777	735	902	1,094
<i>Kilograms</i>				
Per capita consumption	49	45	49	51

The United States traditionally supplies nearly all of Venezuela's bread wheat—mostly U.S. dark northern spring and hard red winter. Some Argentine durum is purchased to make pasta. Imports of U.S. wheat rose gradually during 1973-81, and are expected to grow at a similar rate in the eighties as per capita consumption increases to offset the slower population growth. The principal factors affecting U.S. wheat imports are (1) the rate of growth in income and population, (2) the success of attempts to replace 10-15 percent of the wheat flour with rice or cassava flour, and (3) the potential competition from Argentina and Canada.

Rice. Production of rice rose dramatically in the past decade through both expansion in area planted and improved yields. High support prices provided an incentive for farmers to increase planting of improved varieties, to apply fertilizer and pesticides, and to invest in irrigation and water control. These actions resulted in a surplus of rice beginning in 1980. To dispose of the surplus, the Government sold broken rice at a substantial discount for animal feed and has, on occasion, exported small quantities. Production is expected to grow more slowly in the eighties, even though new irrigated areas will soon be available. Much of the new area will be planted to sorghum and other crops. Some improvement in yield is expected to contribute to a rise in total rice output roughly consistent with the growth in demand (table 8).

Rice consumption has shown a strong upward trend from 10 kilos per capita in the sixties to over 20 kilos

in 1981. Subsidized retail prices made rice increasingly competitive with corn, wheat, and some indigenous food crops. The possible substitution of rice flour for wheat could help to increase the demand as will the bonus system being instituted to improve the quality of domestic varieties in order to enter the export market.

Feed Grain Prospects

The principal grains used for poultry and swine feeding are yellow corn and sorghum. Very little grain is fed to dairy or beef cattle. Most of the domestically produced feed grain is limited primarily to sorghum. Some corn also is produced for use as feed, but most is white corn used directly for food. The demand for sorghum has outstripped supply, despite steady increases in production in the seventies. Consumer subsidies have promoted a strong growing preference for poultry and pork products. Total feed grain demand in 1982 was estimated at 130,000 tons per month or about 1.5 million tons per year (table 9). Imports currently make up about 60 percent of use. The mix of corn and sorghum imports fluctuates widely from year to year as relative prices change. The Government requires millers to import the least expensive feed grain available on the world market at the time of import.

Sorghum is the principal feed grain produced in Venezuela. Production rose rapidly from 70,000 tons in 1975 to over 500,000 tons in 1981. It is a favored crop of many farmers because the growing conditions are less exacting than those for corn and the cost per acre of production and price received are about the same. In addition, the support price has been well above the world price in an attempt to substitute domestically produced sorghum for imported feed grain.

Table 8—Milled rice supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	153	461	487	650
Food use	325	390	487	650
Feed, seed, waste	115	90	0	0
Exports	20	20	0	0
<i>Kilograms</i>				
Per capita consumption	20	23	27	31

Table 9—Feed grain supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	608	704	846	940
Consumption	1,427	1,543	1,960	3,043
Imports	819	927	1,114	2,103
<i>Kilograms</i>				
Per capita consumption	89	96	106	145

While continued Government support is expected, the expansion of sorghum production is expected to be less dramatic in the eighties as increases in both yields and area planted are likely to slow. Demand will, however, continue to be strong as the poultry and swine industries continue to grow.

Earlier restrictions on feed grain imports were major impediments to the development of the national swine and poultry industry. Until July 1981, the Animal Feed Producers Association (AFACA) was required to apply to CMA every trimester for a monthly feed grain allocation. The CMA then bought the grain on the world market and sold it to AFACA at a fixed "international reference price" of \$130 per ton. The fixed price was usually below the world price and in effect subsidized feed millers, livestock producers, and consumers.

Beginning in July 1981, millers were allowed to buy in world markets without going through the CMA. The CMA then reimbursed the millers for the difference between the purchase price and the international reference price. The new procedure allowed millers to improve the timing of feed imports in response to changing demands from poultry and swine producers. In February 1983, the Government stopped subsidizing feed millers. This raised the prices of animal feeds by 20-30 percent and will cause increases in pork, poultry, and egg prices in the range of 10-15 percent.

The United States has traditionally supplied most of Venezuela's feed grain imports. The principal U.S. competitor is Argentina. Venezuelan imports of U.S. feed grains have passed through three stages: from 1970-74, imports climbed rapidly because domestic production was unable to keep up with the growth of the animal feed industry; from 1975-77, imports slowed as domestic production of sorghum increased; after 1978, imports again rose because of poor weather, attractive world prices, and continued expansion of the poultry industry. In total, Venezuela imported 6 million tons of U.S. feed grains between 1970 and 1981, about 70 percent of which was sorghum.

Feed grain imports are expected to continue to expand, although the elimination of subsidies to feed millers will reduce demand in the short term. The Government also can be expected to maintain some control of imports and to continue encouraging domestic feed grain production and the use of low-quality rice for feed. An additional concern is the possibility of increased trade

with Argentina since both countries are members of the Latin American Integration Association.

Oilseed Prospects

The principal domestic oilseeds are sesame, peanuts, copra, and cotton. Oilseed production in the seventies declined primarily because of a drop in sesame production. The decline of the textile industry in the late seventies also reduced demand for cotton with a resulting drop in the availability of cottonseed. The demand for oilseeds is growing by about 10-15 percent annually as consumers use larger quantities for cooking and as fast food chains multiply. In addition, the demand for protein meal for animal and poultry feed is increasing.

A large part of the oilseeds needed for protein meal and oil must be imported. This dependence is unlikely to change appreciably in the eighties because of the rapid growth in demand and the limited potential for increasing domestic production. Soybean imports are primarily from the United States, but Brazil and Argentina supply small quantities. Peanuts are imported mostly from Africa. Oilseed cake and meal are imported mostly from the United States, with 1982 shipments of over 450,000 tons.

The Venezuelan oilseed deficit is not likely to be reduced because production of oilseeds seems to have a limited potential (table 10). A great deal of attention has been paid to expanding the production of peanuts in recent years but with only modest success. Production increased until 1980, then leveled off and is currently about 30,000 tons (unshelled basis) per year. Average yields are only about 0.8 ton per hectare, but

Table 10—Oilseeds supply and utilization

Oilseeds ¹	1979-81 average	1982	1985 forecast	1990 forecast
	<i>1,000 tons</i>			
Production	110	127	160	200
Consumption	162	177	237	340
Imports	52	50	77	140

¹Includes soybean, sesame, cottonseed, peanut, copra, and palm kernel.

yields should improve as irrigation expands in the Mesa de Guanipa where most of the peanuts are grown.

Several attempts have been made within the last few years to develop commercial soybean production. These efforts have met with limited success. Experimental plots in the Mesa de Guanipa have yielded up to 3 tons per hectare. The Polar Foundation, a leading food industry conglomerate, hopes to obtain 1.5 tons per hectare in commercial production. The Mesa de Guanipa contains 200,000-300,000 hectares potentially suited to grains and soybeans.

Sesame production has been declining. The crop is very sensitive to rain during flowering and harvesting and has been damaged frequently in the last decade. Farmers find other crops less risky.

Palm oil is produced on one plantation of some 2,000 hectares. Conditions are not good for further expansion because the soils are not deep enough and the region does not have a long enough dry period for optimum production.

Before 1978, the Government permitted only the manufacture of pure oils produced from sesame, corn, cottonseed, and peanuts. Blends were not allowed. Since 1978, manufacturers have been authorized to blend imported vegetable oils with domestic oils, making a new, less expensive product. Thus, in times of domestic shortages, the industry has imported oils, usually soybean and cotton oils, because they are usually the lowest priced oils on the market.

The Government requires blenders to use a minimum of 22.5 percent domestic sesameseed oil in their blends. The high price of sesame oil raises the cost of the blended product. Crushers would like to eliminate the requirement, although in recent years, the Government has chosen not to enforce it because of the limited domestic supply of sesameseed oil. The price of oil is set by the Government through negotiation with the Oilseed Crushers Association (ASOGRASAS), the Ministry of Agriculture, and the Planning Department.

Venezuela presently has a limited crushing capacity, about 90,000 tons. Crushing facilities have not expanded, despite the growth in demand for oilseeds. However, a major expansion is expected by 1990 and some before 1985. Several groups are studying the

feasibility of a facility with a capacity in the range of 800,000-1 million tons per year. Such a facility would reduce the imports of oil and meal in favor of more oilseeds.

Consumers do not seem to have a strong preference for different oils. However, processors claim to prefer cottonseed to soybean oil because of the higher cost of degumming and deodorizing soybean oil. Sunflower oil can more readily be substituted for other oils, but because of price controls, processors have little incentive to improve quality beyond that of a least-cost blend.

By Latin American standards, Venezuela has an extremely high per capita vegetable oil consumption rate, about 16 kg per year in 1981. Fast food chains are booming and require increasing amounts of imports. The current growth trend is likely to continue through the eighties, although at a slower rate.

Consumers traditionally have not saved vegetable oil for re-use, but the 1982 price increase from 6 to 9 bolivars per liter has resulted in lower oil consumption. Sales volume dropped over 30 percent as consumers began to re-use oil and as contraband exports to Colombia declined.

The crushing industry, through ASOGRASAS, requests permits from CMA twice a year for specific grades and quantities to be imported. However, crushers must purchase the domestic sesame harvest before imports are authorized, and the industry cannot pay more than the maximum import price established by the CMA.

Production of domestic oilseeds is estimated to be no more than 200,000 tons in 1990, compared with 127,000 in 1982 (table 11). Thus, Venezuela will be a net oilseed or product importer for years to come. However, different oils could be substituted as processing technology becomes more sophisticated. For example, in 1981, Venezuela imported 53,572 tons of soybean oil, 85,873 tons of sunflower oil, and 101,371 tons of cottonseed oil, which had traditionally dominated imports.

A number of factors will affect U.S. oilseed exports to Venezuela: the level of Government control of edible oil prices and its effect on consumption, the rate at which oil blenders move to substitute soybean oil for

cottonseed oil, the rate of increase in domestic crushing facilities, and competition from Brazil.

In recent years, the United States supplied almost all of the soybean imports. Imports have not increased because of the limited domestic crushing capacity, so feed compounders and vegetable oil blenders have imported the meal and oil separately as their respective markets have demanded. Imports of U.S. beans are expected to increase somewhat after 1985 if the local crushing capacity for soybeans is expanded. The principal U.S. competitor for beans in this market is Brazil. However, Brazilian beans have not yet penetrated this market because of limited growth potential and the lack of well-established shipping connections between the two countries.

The United States currently supplies 100 percent of Venezuela's soybean meal. This market has grown rapidly in recent years and is expected to continue doing so in the first half of the eighties. Principal factors affecting U.S. exports of soybean meal are the growth of the poultry sector, the demand for balanced animal feeds, and the limited domestic soybean-crushing capacity. The projected expansion of soybean-crushing facilities will cut into this market in the late eighties.

The United States provides about 60 percent of Venezuela's soybean oil imports. This market has grown in recent years, but slightly slower growth is predicted in the next decade because of expected increases in the domestic price of edible oil. Yet, imports are expected to climb as fast food chains expand and food processors replace cottonseed oil with lower cost soybean oil.

Table 11—Domestic production of oilseeds and products, 1981

Commodity	Oilseeds	Meal	Oil
<i>Tons</i>			
Sesame	45,815	24,000	22,000
Cotton	24,154	7,000	1,500
Coconut	160,422	7,000	1,274
Palm	4,000	2,000	378
Peanut	18,995	7,000	2,000
Soybean	0	40,000	1,900
Total	253,386	87,000	29,052

The United States traditionally has supplied all of Venezuela's imported cottonseed oil and is expected to continue to do so. However, the volume of this trade is expected to increase at a slower rate, and even decline as blenders and food processors begin to use other, less expensive oils.

U.S. exports now make up about 70 percent of Venezuela's sunflower oil imports. The principal U.S. competitor is Argentina. The U.S. product allegedly is preferred by processors, but the principal factor seems to be its lower price. Imports from the United States are expected to grow more slowly in the eighties since current levels are already quite high.

Livestock Prospects

The principal domestic livestock products are beef and veal, chicken, eggs, pork, milk, and cheese. Production in this sector increased by an average of 5 percent per year in the seventies, led by the rapid growth of poultry and swine production. Beef and dairy production also increased in this period but at a slower rate since low prices and little improvement in husbandry or cattle breeding burdened the production of these products.

Livestock production increased more rapidly than crop production in the last 20 years. Livestock and livestock products now contribute about 60 percent of the agricultural GNP compared with less than 33 percent in the sixties. This is due not only to increased production but also to rising prices.

Beef. Cattle ranching in Venezuela is still largely an extensive operation whereby large herds are grazed on the vast grasslands of the western plains (llanos). Only a handful of intensively operated feedlots exist in other parts of the country. For many years, Venezuela imported between 15 and 30 percent of its beef needs depending on domestic pasture conditions. Most imports came on-the-hoof from neighboring Colombia, and many were illegal. In 1981, the national herd was estimated at 11 million head, of which about 70 percent were crosses between native cattle and imported breeds, principally Brahman.

The tropical climate and the poor quality of pasture in Venezuela cause low productivity of cattle herds compared with productivity in temperate regions. The fertility rate is only 50 percent, and the mortality rate is 15 percent, yielding an effective increase of only 35

percent per year. In addition, a minimum of 4-1/2 years is required for cattle to reach slaughter weight. In recent years, the annual average slaughter rate has been 12 percent of the herd with an average carcass weight of 186 kg.

Several factors have limited the expansion of the cattle industry, including: the lack of rural labor because of higher salaries in urban areas, a long dry season which lowers the carrying capacity of the grazing areas, and frequent excessive rains during the wet season which flood pastures and make the roundup of cattle for slaughter impossible.

Beef prices in the seventies were for the most part low compared with world levels, so importing feed grain to supplement domestic pasture was not economical. Seeded or cultivated pasture area grew by about 5 percent per year, reaching 6 million hectares by the end of the decade. Grain sorghum stover has become a more common feed source as ranchers seed more land to this crop, then sell the grain and use the residue for feed. Prices have increased recently for low and medium grades of beef, and prices for premium beef (not regulated by the Government) are now above the world level. At the present feed/beef price ratio, the use of imported feed may become a possibility.

Domestic consumption of beef is expected to grow between 5 and 10 percent per year in the eighties while the domestic supply will grow more slowly (table 12). This will put some upward pressure on prices and provide some stimulus to production. However, it is likely that the country will become more

dependent on imports by the end of the decade. The growing deficit could be filled to some extent by illegal imports from Colombia. Although both nations oppose this kind of trade, neither has been willing or able to prevent it. In any event, imports of frozen beef from Australia, Denmark, and occasionally the United States are likely to grow.

Swine. The swine industry is one of the most highly developed of the private sectors. The production units are large, modern, highly concentrated, and quite efficient. About 15 percent of all meat consumed is pork, and national production is sufficient to meet 95 percent of that need (table 13). Production should expand in the eighties, but demand will increase slowly since the income elasticity of the demand for pork is quite low (0.35). Imports will decline except to cover seasonal peaks in demand, especially around Christmas, and for specialty products.

The United States supplies 67 percent of total pork imports, which have averaged only 8,000 tons in recent years. The principal U.S. competitors are the European Community, especially Denmark, and Canada.

Dairy. The dairy industry has grown slowly in recent years. The Government has attempted to improve the quality and quantity of milk by raising producer prices, establishing premiums for high qualities, and providing credit for dairy producers. These policies have had only limited success. Brown Swiss and Holsteins have been crossed with local breeds, resulting in greater resistance to the climate but also in lower yields. About 85 percent of the dairy cow population yields only 2,000 pounds or less per cow per year. This com-

Table 12—Beef and veal supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	263	265	281	325
Consumption	356	360	386	478
Net imports	93	95	105	153
<i>Kilograms</i>				
Per capita consumption	22	21	21	23

Table 13—Pork supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	78	78	85	110
Consumption	86	88	97	115
Imports	8	10	12	5
<i>Kilograms</i>				
Per capita consumption	5	6	6	5

compares with over 12,000 pounds per year per cow in the United States.

With considerable population growth and a high income elasticity (0.82), milk consumption is expected to rise much more rapidly than production. Thus, the level of imports, now over 900,000 tons, should approach 1 million tons by 1985 and surpass that mark by 1990.

The Government is attempting to stimulate production and use of dry whole milk, which is easier to handle in a distribution system that lacks refrigerated transportation and storage. Dry milk has become a key component of the school lunch program. Milk production is projected to continue to grow slowly in the eighties (table 14). Improved feed rations could improve yield, but to improve rations, protein supplements need to be imported.

The inability of cheese factories to compete for supplies with the fluid market has restrained cheese production. This condition is expected to persist through the eighties.

Large quantities of whole dry milk and cheese have been imported from New Zealand, Australia, and the European Community. CMA controls all trade in milk and dairy products and imports primarily whole dry milk, which is then sold for reconstitution to processors below cost. The CMA issues licenses to food wholesalers and retailers to import cheese. Milk product imports from the United States have been insignificant because the U.S. price has been too high.

Table 14—Milk supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons¹</i>				
Production	1,322	1,449	1,552	1,843
Consumption	2,214	2,364	2,532	3,007
Imports	892	915	980	1,164
<i>Kilograms</i>				
Per capita consumption	50	60	60	65

¹Fluid milk equivalent.

Poultry. Poultry numbers have more than doubled in the past decade and now amount to about 30 million birds. About half are broilers, one-fourth are layers, and the remainder are foundation stock for breeding. Chicken production is now over 200,000 tons per year while turkey production is negligible (table 15). The output of eggs for consumption also has increased rapidly and now exceeds 2 billion eggs per year.

Consumer prices for poultry products were kept very low during the seventies despite the success of the Poultry Producers Association (FENAVI) in protecting domestic producers from cheaper imports. Low consumer prices were possible because of the large subsidies that had been placed on feed. In 1980, these subsidies amounted to 40 percent of the cost of the feed at a price of \$150-\$200 million per year to the Government. When the Government eliminated its subsidy on poultry feed in February 1983, retail prices of poultry meat increased by 27 percent.

Domestic poultry production is currently able to meet about 95 percent of the demand. Occasional imports are allowed at times of high seasonal demand or when feed grain supplies are low. A slower growth in the demand for poultry meat is projected in the eighties because of the recent elimination of subsidies and the resulting increase in prices.

In recent years, the United States has supplied all of Venezuela's imported poultry meat, some as whole chicken and some as chicken parts. The principal constraint to further U.S. exports is the tariff protection provided the domestic industry. A reduction in the current duty would make U.S. prices fully competitive

Table 15—Poultry supply and utilization

Item	1979-81 average	1982	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Production	222	250	283	336
Consumption	241	266	293	374
Imports	19	16	10	38
<i>Kilograms</i>				
Per capita consumption	15	16	16	18

with those of domestic producers. However, this reduction would not necessarily make U.S. poultry prices competitive with suppliers from Brazil. In any event, Venezuela will remain a sporadic seasonal market.

Minor Commodity Prospects

Venezuela produces and consumes a wide variety of lesser commodities that are of interest to U.S. exporters. However, the trade prospects for some of them are limited (table 16).

Table 16—Minor commodities supply and utilization

Item	1969-71 average	1979-81 average	1985 forecast	1990 forecast
<i>1,000 tons</i>				
Cotton lint:				
Production	14	18	20	22
Consumption	20	22	23	25
Imports	6	4	3	3
Tobacco:				
Production	10	21	25	28
Consumption	10	21	25	28
Imports	0	0	0	0
Barley:				
Production	0	0	0	0
Consumption	65	150	185	220
Imports	65	150	185	220
Tallow and lard:				
Production	6	10	12	15
Consumption	14	32	41	50
Imports	8	22	28	35
Fruits:				
Production	1,463	1,640	1,748	1,857
Consumption	1,493	1,670	1,788	1,907
Imports	30	30	40	50
Vegetables:				
Production	164	361	500	430
Consumption	209	486	640	560
Imports	45	125	140	130
Processed foods:				
Imports	10	32	35	50

Sources: (1, 9).

Cotton. The domestic textile industry is in difficulty because of high labor costs and competition from imports. Thus, raw cotton imports are unlikely to increase sharply because of weak domestic demand by the industry and ample domestic production potential.

Tobacco. Tobacco production has grown steadily in recent years and will likely be adequate to meet the demand of the eighties.

Barley, malt, and hops. Venezuela is one of the world's largest importers of barley malt. The principal suppliers are the EC and Canada. The U.S. share has been negligible. The United States probably will not penetrate this market as long as U.S. barley malt prices are not competitive. Furthermore, brewers claim they are reluctant to change their brewing formulas because of established consumer tastes. Canada and the EC also dominate the hops market.

Tallow and lard. Domestic tallow production has been insufficient to meet demand. Imports in 1980 reached 29,000 tons and have been climbing yearly. All of the imported tallow is used to make soap. Inedible tallow is expected to be imported in the coming years. The principal constraint to the growth of this market is a 100-percent duty that is imposed.

Lard is produced in substantial quantities, and some 95 percent of it is used in baked goods. About 3 percent of domestic production is consumed on farms where hogs are slaughtered, and the remaining 2 percent is used in animal feed. Not much lard is imported since most of it has been displaced by vegetable oil. In addition, a 100-percent duty also discourages imports.

Fruits, pulses, and vegetables. Production of tropical fruits and vegetables has grown steadily with the expansion of the domestic food-processing firms which have thrived under the protection of high tariffs. Principal imports of fruit consist of apples and pears mainly from Argentina, Chile, and the United States. Pulses, especially black beans and peas, are imported from Mexico, Central America, and the United States. When poor weather creates domestic shortages, imports of fresh fruits and vegetables are occasionally permitted. For example, in 1981, duties on potatoes, onions, garlic, and other vegetable products were lifted temporarily to allow imports.

The U.S. share of total fresh and dried fruit imports was estimated to be about 70 percent (in terms of tonnage) during 1979-81. Fruits with potential for import growth include apples, pears, plums, and cherries. However, per capita consumption of these products has not increased very much despite the rapid growth of income. Imports in the eighties are expected to increase even less with the slower expected growth in income. The principal factors that will continue to constrain imports are high duties imposed on all suppliers except members of the Andean Pact. The U.S. share of total fresh and dried vegetable imports is estimated at about 25 percent (in terms of tonnage). This low share results mostly from the high price of U.S. products compared with regional competitors.

Venezuela is importing seeds of improved vegetable varieties in increasing quantities as domestic food-processing firms attempt to foster expansion of domestic production. Potatoseed imports are the most important in this group, with Canada being a principal supplier. Potato production has risen rapidly in recent years as farmers have replaced wheat with potatoes in the mountain regions.

High-Value Product Prospects

Processed food imports, such as sugar and confectionery products, canned fruits and vegetables, beverages, liquors, and tobacco, have been increasing consistently with the growth of income and population. In 1976, the value of such products was \$129 million; in 1979, it was \$235 million. Beverages, liquors, and tobacco alone increased from \$66 million to \$112 million over the same period, increasing mostly in Scotch whiskey. Sugar and confectionery products more than doubled between 1976 and 1979. The increase from \$37 million to \$84 million was due in large part to the inability of the domestic sugar industry to keep pace with a rapidly growing demand. Imports of canned fruits and vegetables also more than doubled, climbing from \$16 million to \$39 million.

A principal constraint on U.S. exports of these high-value products is the longstanding preference of Venezuela's large immigrant populations for specialty products from Spain and Italy. However, that import demand, too, has been constrained by the protectionist policies that encourage food processing even if it depends on imported raw materials.

Implications for U.S. Trade

U.S. agricultural exports to Venezuela, after growing steadily for nearly a decade, declined by 25 percent in 1982. Preliminary data indicate further declines in 1983 because of trade restrictions imposed in the wake of the February 1983 currency devaluation. In short, imports to Venezuela from the United States during 1983-85 can be expected to be below the historical trend as Venezuela's economy passes through a period of readjustment following the affluence of the 1974-79 period. Despite the decline, Venezuela is expected to remain the second leading U.S. market for agricultural products in Latin America and the leading market on a per capita basis.

Over the longer term, Venezuela unquestionably will be a growing market for U.S. agricultural exports. The population, now 16 million, is expected to reach 21 million by the end of the decade. The urban/rural ratio of the country's population is among the highest in Latin America (85 percent) and has changed consumption habits to strong preferences for many imported products. Finally, despite the financial problems facing the Government, Venezuela's import capacity in the late eighties will still be more favorable than that of most nations, simply because it has oil revenues.

The prospect for the U.S. share of imports to increase along with an absolute growth in volume is less certain. U.S. exports to Venezuela already approach a 100-percent market share for many products (table 17). The U.S. overall share of such commodities as vegetable oils, fresh fruits, and fresh vegetables is 50-70 percent with some products increasing and others losing ground.

The Venezuelan market needs to be nurtured to maintain the U.S. share against competition from domestic and foreign suppliers. The U.S. share of white corn, beef, pork, malt, hops, processed foods, dairy products, beverages, and beans has the potential to increase. But it is questionable whether the United States can make strong inroads into these markets. The preferences that have developed for commodities from other sources and the generally uncompetitive prices of these U.S. products will make it difficult. However, some market development effort may be justified to maintain even the small market share and to take advantage of periodic and seasonal surges in import demand.

During the current liquidity crisis, and on through 1985, short-term credit could play an important role in maintaining purchasing power for agricultural imports. Use of short-term credit would provide an opportunity for U.S. exporters to gain some inroads against foreign competitors, especially for products that are just marginally uncompetitive. Activities of the U.S. Agricultural Trade Office probably should be maintained to provide a continued awareness of the quality of U.S. products and to develop confidence and trust in the United States as a reliable supplier. Technical assistance in using U.S. raw materials should continue to be a high priority with a greater attempt to adapt both technology and products to domestic conditions. Agricultural trade shows seem to have been effective in

developing buyer awareness as have other programs that bring foreign buyers and U.S. sellers in contact with each other.

The current protectionist policies of the Venezuelan Government probably have been the most serious constraint to trade. These policies have encouraged and protected domestic production at higher than world prices and have denied processors and consumers the lower cost of U.S. farm products. During the current financial crisis, the Government is considering steps to reduce the degree of protection. However, some degree of protection of domestic agriculture likely will be maintained to assure that a certain amount of the country's food supply will be produced domestically.

Table 17—U.S. share of Venezuela's agricultural imports

Items	1979-81 average		1985 forecast		1990 forecast	
	Total	U.S. share	Total	U.S. share	Total	U.S. share
	<i>1,000 tons</i>	<i>Percent</i>	<i>1,000 tons</i>	<i>Percent</i>	<i>1,000 tons</i>	<i>Percent</i>
Wheat	770	96	903	94	1,094	91
White corn	350	14	275	9	250	10
Soybeans	52	100	77	100	140	90
Soybean meal	425	100	526	100	706	100
Vegetable oils	267	66	291	69	317	71
Beef and veal	93	5	105	5	153	5
Pork	8	13	12	8	5	20
Milk	892	—	980	—	1,164	—
Poultry	19	100	10	100	38	100
Cotton	6	100	3	—	3	—
Barley	65	0	185	0	220	0
Fruit, fresh	30	50	40	50	50	50
Vegetables, fresh	45	55	130	58	140	58

— = Not available.

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Appendix

The projections in this report are based on both quantitative and qualitative analysis of supply and demand. Supply estimates are based on a historical analysis of trends in area, yield, and prices of each of the products examined. Consumption projections are based on estimates of growth in disposable income and population, in accordance with known income elasticities of demand (app. table 1). The results of these projections were then reviewed in light of current trends and expected changes in prices and policies in the future. The commodity projections were checked to assure a balance of supply and demand.

The discussion of agricultural commodities has been limited to those of primary concern to U.S. exporters—namely, food grains, feed grains, oilseeds, dairy products, meats, and poultry.

National income is assumed to rise more slowly in the eighties than in the seventies because of smaller expected increases in prices for petroleum products and because of the difficulties Venezuela is facing in maintaining its current level of oil exports (app. table 1). The current shift away from state management of basic industry, prices, and trade policy is expected to continue slowly in the eighties.

Appendix table 1—Basic macroeconomic assumptions

Item and year	Growth rate
	<i>Percent</i>
Population:	
1976-80	3.1
1980-85	2.9
1985-90	2.7
Real per capita disposable income:	
1976-80	5.1
1980-85	-2.0
1985-90	1.3

Wages and salaries are expected to increase fairly steadily in the future, resulting in continued growth in demand for food products. The labor movement has become increasingly powerful politically and will probably play a greater role in determining economic policy in the future.

Subsidies for producers and consumers have been reduced in the past 3 years, and further reductions are assumed because a slower growth in oil revenues to support the public sector is expected.

Relative prices for most commodities are assumed to remain constant during the projection period. One exception is rice, which has had a declining consumer price for several years with respect to other grains but not to producers. However, producers' rice prices are expected to continue to decline in real terms in the eighties as inflation reduces the effect of price supports. The other exceptions are poultry, egg, and pork prices. The recent elimination in subsidies to the animal feed industry will result in increases in these prices relative to other animal products and other foods.

Foreign exchange to finance imports of basic food goods during the eighties is assumed to be ample despite a slowdown in oil export revenues. However, recent political and economic events have resulted in a very rapid capital flight, precipitating a short-term liquidity crunch. In February 1983, exchange controls and a devaluation of the currency were decreed by the Central Bank. A further deterioration in the nation's external account will limit the capacity to import certain agricultural products.

Feed utilization rates for projecting feed grain demand were derived from the historical rates for poultry, eggs, pork, beef, and dairy, and checked against the feed rates reported by the various producer associations. The estimated feed rates were then multiplied by the projected growth in production to obtain estimates of future demand for feed grains. The demand estimates were checked for consistency against aggregate trends in feed grain supply, demand, and trade.

Appendix table 2—Income elasticities of demand for selected food products

Commodities	MRNR	CBR	FAO	Musgrove (5)
Cereals	—	—	0.21	0.30
Rice	0.48	0.12	.30	—
Corn	−.13	−.13	.10	—
Wheat	.61	.40	.30	—
Other carbohydrates:				
Potato	−.41	.05	—	—
Yucca	−1.53	−.54	—	—
Other roots and tubers	−1.27	—	.21	—
Plantains	−.49	—	—	—
Black beans and dry beans	−.76	−.02	—	—
Other pulses	.26	—	—	—
Tropical products and specialty items:				
Sugar	.76	.36	.23	—
Ground coffee	.23	.44	.30	—
Coconut	−2.31	—	—	—
Chocolate	−6.06	.01	.40	—
Nuts	1.06	—	—	—
Peanuts	1.27	—	—	—
Vegetables	—	—	.40	.44
Tomato	.83	—	—	—
Garlic and onion	−.11	—	—	—
Other vegetables	.99	—	—	—
Fruit	−.77	—	.54	.58
Bananas	−1.82	—	.50	—
Oranges	.04	—	.60	—
Other fruit	.34	—	.60	—
Meat and poultry	.65	—	.46	.74
Beef	.52	.46	.50	—
Pork	.35	.72	.40	—
Goat and lamb	−.36	—	.40	—
Subtotal (red meat)	.47	—	—	—
Poultry meat	1.41	—	.50	—
Seafood	−.95	—	.40	.24
Dairy products and eggs	.24	—	—	.58 ¹
Dry milk	.27	—	—	—
Pasteurized milk	.85	—	—	—
Subtotal (milk)	.42	.52	.40	—
Cheese	−.56	—	50.00	—
Margarine	1.20	—	—	—
Eggs	.06	—	.50	—

See notes at end of table

Continued—

Appendix table 2—Income elasticities of demand for selected food products—Continued

Commodities	MRNR	CBR	FAO	Musgrove (5)
Fats and oils	0.68	—	0.40	0.47
Vegetable fats	-.27	—	—	—
Sesame oil	1.08	—	—	—
Other oils	1.19	—	—	—
Butter	-1.33	—	.40	—
Pork fat	-1.83	—	—	—
Bacon	.63	—	—	—
Total animal fats	-1.38	—	.40	—
Sugar and sweeteners	—	—	—	.52
Hot beverages	—	—	—	.38
Alcoholic beverages	—	—	—	.68
Other beverages	—	—	—	.59
Meals away from home	—	—	—	.88
All food	—	—	—	.61

MRNR = Ministerio de Ambiente y de los Recursos Naturales Removables (8).

CBR = Consejo de Bienestar Rural (12).

FAO = Food and Agriculture Organization of the United Nations (4).

— = Not available.

¹Includes eggs.

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